

CITY'S TAX ANALYSIS

Ballot Measure W is a referendum on Ordinance No. 1812, and if passed, will establish the Redevelopment Plan for the Lodi Community Improvement Project.

If Measure W passes, the City estimates that it will have no impact on property taxes on properties outside of the Project Area over the life of the Project. Redevelopment Agencies do not have the power to impose new property taxes on properties within or outside the Project Area. Indeed, neither the state, county nor city has the power to raise taxes without voter approval under Proposition 13 and Proposition 218. Redevelopment Agencies are funded by tax increment. Tax increment is the amount of property taxes paid on any increase in property values after the adoption of the Redevelopment Plan. Under Proposition 13, property values can only be increased when property changes hands, for new construction, and by an inflation adjustment that cannot exceed 2 percent per year. In a redevelopment project area, tax increment goes generally to the redevelopment agency rather than to the taxing agencies (county, city, special districts and schools). Tax increment is then used to revitalize depressed areas that would otherwise drain general fund resources at a disproportionate rate due to their higher demand for replacement infrastructure and public safety services. The City expects redevelopment investments will reduce costs to the general and utility funds and potentially increase other forms of City revenue, such as sales and transient occupancy taxes from new investment in the community. This should ease the general fund's current financial strain and therefore reduce the need for requesting tax increases from the public.

If Measure W is defeated, the city estimates that the Project Area will continue to stagnate and place a disproportionate demand on General Fund resources. Before forming the Project Area, the City commissioned an exhaustive report documenting the blight in the Project Area. The report concluded that absent the use of Redevelopment, the Project Area could not reasonably be expected to improve. The list below provides just a few of the more significant conditions that were found:

- Five contaminated plumes cover virtually all of the proposed Project Area, with a cleanup cost estimated at \$46.5 million;
- Approximately 45% of commercial properties show signs of serious obsolescence;
- Approximately 22% of all buildings are in some degree of significant disrepair;
- There are twice as many absentee owners of residential property in the Project Area as outside;
- There are 94 vacant businesses

Overall, 83% of the properties in the Project Area show at least one characteristic of physical blight. If approved, the Agency intends to implement a pro-active program of redevelopment assistance. This will include investment in needed infrastructure, which is estimated to cost over \$128 million. Projects could include water, sewer, storm drains, street improvements, sidewalks, sound walls and other projects of this nature. In addition, the Agency intends to implement an economic development and housing program designed to spur private sector investment in the Project Area. In total, the Agency intends to invest over \$200 million into the revitalization of the Project Area. In the absence of redevelopment, there will not be funding available for such projects and the Project Area will continue to stagnate.

Submitted by:

/s/ D. Stephen Schwabauer, City Attorney

SAN JOAQUIN COUNTY AUDITOR-CONTROLLER'S TAX ANALYSIS

Ballot Measure W is a referendum on Ordinance No. 1812, and if passed, will establish the Redevelopment Plan for the Lodi Community Improvement Project. If passed, Measure W will have no impact on property tax rates on properties inside or outside the Project Area. Redevelopment Agencies do not have the power to impose new taxes either within or outside the Project Area. Under Proposition 13 and Proposition 218 voter approval is required to raise or increase any State, County or City taxes.

Redevelopment agencies are funded by the incremental increase in property taxes that result from any increase in property values within the Project Area after adoption of the Redevelopment Plan. Under Proposition 13, property values can only be increased when any of the following occur; there is a change in property ownership, as a result of new construction, or by an inflation factor that cannot exceed 2 percent per year.

Most of the property tax increment generated within a redevelopment project area accrues to the redevelopment agency and is used for redevelopment purposes. Some tax increment is allocated for special purposes, redevelopment agency administration, and other taxing entities. The portion of property tax increment passed-through to other taxing entities (county, city, special districts and schools) is based upon a statutory formula.

The pass-through of tax increment to other taxing entities is intended to offset the costs incurred by these agencies to provide public services. It is difficult to determine, at this time, if the tax increment allocations, supplemented by anticipated increases in other ancillary revenues (such as sales tax, transient occupancy tax, etc.) that would result from redevelopment will be sufficient to support the full cost of public services required within the Project Area. If revenues to these other taxing entities are insufficient to support the full cost of Project Area related public services, these taxing entities may need to adjust service levels or raise additional revenues from inside and outside the Project Area.

Over the last five years, assessed value within the Project Area has not appreciated as much as property outside the Project Area within the City. Within this time period, property within the Project Area has appreciated approximately 5.4% less than the rest of the City. If Measure W is defeated, it is estimated that this trend will continue. The assessed value of property in the area would likely not increase at the same rate as it would if Measure W was approved. As required by State statute, before forming the Project Area, the City commissioned a report documenting the blight in the Project Area. The report concluded that absent the use of Redevelopment, the Project Area could not reasonably be expected to improve.

If approved, the City indicates that the Redevelopment Agency will develop a program to provide redevelopment assistance through the use of the allocated tax increment. This will include needed infrastructure improvements to address issues related to water, sewers, storm drains, street improvements, sidewalks, sound walls and other projects of this nature that are estimated to cost over \$128 million. In addition, the Redevelopment Agency intends to implement an economic development and housing program designed to spur private sector investment in the Project Area. In total, the Redevelopment Agency intends to invest over \$200 million into the revitalization of the Project Area.

Submitted by:

/s/ Adrian Van Houten, Auditor-Controller